

Executive Summary

Domestic Veg. Oil Market Summary

Compared to the last week, edible oil basket featured firm tone during the week under review. Soy and palm oil prices featured firm note on w-o-w basis.

On the currency front, Indian rupee against USD closed (28 Feb. 2014) at 61.78, up 0.54 percent as compared to the previous week. Factors to watch in the coming weeks will be the movement of Indian rupee against US dollar, Chinese soybean demand, Brazil weather conditions over key soybean growing regions, Malaysian palm oil exports and Mustard seed crop output.

We expect edible oil complex to trade sideways to firm tone owing to recovery in the oil complex, dry weather concern over Brazil, renewed demand at lower quotes and mustard loss concern in Rajasthan. However, higher global oilseeds production estimates and adequate edible oil supplies in the cash market may limit upside risk in the prices.

International Veg. Oil Market Summary

CBOT soy oil (Mar) is expected to stay in the range of 39.25 cents/lb to 42.25 cents/lb. CPO at BMD (May) is likely to trade in the range of 2700-2825 ringgit per tons. Malaysian February palm oil exports pegged at 1.24 million tons, down 2.1% on m-o-m basis –SGS.

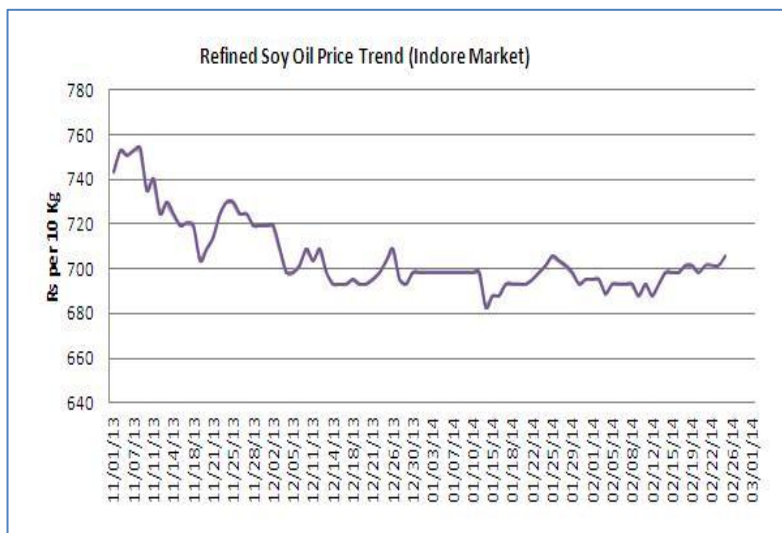
On the international front, good demand from China and heat concern over key soybean growing regions of Brazil may favor the bulls in the coming days. While, adequate soybean supplies, higher South American soybean production estimates in the current season and on an estimated rise in global oilseed supplies could limit upside risk in the prices.

Lower than expected Malaysian palm oil inventories for January and South East Asian countries are in lower palm oil yield phase may support the bulls in the days ahead. While, higher global soybean crop estimates and adequate supplies may limit excessive gains in the palm oil prices.

Soy oil Fundamental Analysis and Outlook:-

Domestic Front

- Soybean oil featured steady to slightly firm tone tracking need-based demand at spot market and recovery in the international oil & fats market.
- Speculative buying on concern of dry weather over key soybean growing regions of Brazil may threaten soybean yields and lower soybean arrivals in the cash market likely to support the market sentiments in the near term. Moreover, crop loss concern in mustard also boost the sentiments
- On the supply side, as per the second advance estimates, Ministry of agriculture lowers its soybean output projections for 2013/14 to 12.45 million tons. While, last year India's soybean production was 12.21 million tons. While, As per Agriwatch second estimates, soybean production for 2013-14 is projected at 127.12 lakh tons which are higher than last year production estimate of 125 lakh tons.
- Current stock of edible oils as on 1st February, 2014 at various ports is estimated at 705,000 tons (CPO 330,000 tons, RBD Palmolein 175,000 tons, Degummed Soybean Oil 80,000 tons, Crude Sunflower Oil 105,000 tons and Canola Rape Oil 15,000 tons) and about 810,000 tons in pipelines. Total stock, both at ports and in pipelines has decreased by 80,000 tons to 1,515,000 tons (SEA of India).
- We expect soy oil may trade with a steady to firm tone in the coming days.



International Front

- As per Safras & Mercado, Brazilian farmers have harvested 21 percent of the soybean estimated acreage as of 14 Feb., 2014, up 8 percent from last week. However, last year at the same period farmers had harvested 15 percent.
- AgRural lowered Brazil's soybean projections to 87 million tons for 2014, down one million tons from the previous estimates.
- As per Buenos Aires Grain Exchange, Argentina's 2014 soybean production seen at 53 million tons, unchanged from the previous forecast.
- According to numbers from China's General Administration of Customs, China imported 5.91 million tons of soybeans in January, up 23.7 percent from the corresponding period of last year due to good demand for meals and good crush margins.
- As per USDA, global soybean production is projected at record 287.7 million, up 0.9 million tons. Soybean production for Brazil is projected at 90.0 million tons, up one million from last month estimates and for the Argentina soybean crop seen at 54.0 million tons, down 0.5 million from last month estimates.
- On the international front, good demand from China and heat concern over key soybean growing regions of Brazil may favor the bulls in the coming days. While, adequate soybean supplies, higher South American soybean production estimates in the current season and on an estimated rise in global oilseed supplies could limit upside risk in the prices.

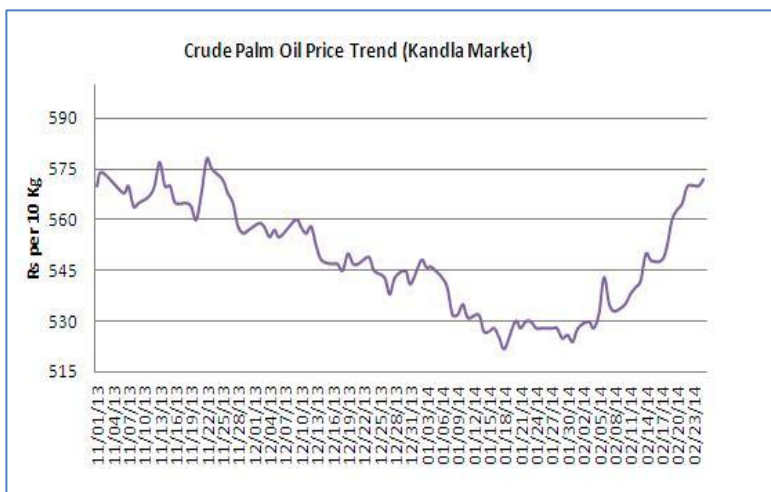
Price Outlook:

We expect refined soy oil at Indore (with VAT) to stay in the range of 718-740 per 10 Kg in the near term.

Palm oil Fundamental Analysis and Outlook -:

Domestic Front

- CPO Kandla 5% witnessed firm note during the week in review owing to need based buying and firm cues from the international palm oil market.
- As per the latest government notification, Indian Government has revised the tariff value for crude palm oil to US \$ 914, RBD palm oil to US \$957, Crude and refined palmolein to 964, 967 (US dollar per metric tons) respectively. Moreover, USD 972 per tons sets as a new base import price for crude soybean oil. Tariff value is the base price at which the customs duty is determined to prevent under-invoicing.
- As per SEA of India, Indian buyers imported 15.7 lakh tons of crude palm oil in the 2013-14 oil years (Nov-Oct) till Jan., which was 16.93 percent lower against corresponding period of last year. Meanwhile, RBD palmolein imports were also higher at 5.7 lakh tons during 2012-13 oil years (Nov-Oct) till Jan., up 59.6 percent compared to the last year.
- Bullish cues from the international palm oil market and lower palm oil & its derivative products imports by Indian buyers likely to support the palm oil prices in the near term.
- We expect domestic palm oil prices likely to trade range bound to firm tone in the days ahead.



International Front

- CPO at BMD witnessed gains on w-o-w basis owing to talks of crop damage in Brazil and good export demand. Crude palm oil at BMD May contract ended at RM 2,778 per tons, up by 19 points from last week.
- Malaysian February palm oil exports pegged at 1.24 million tons, down 2.1% on m-o-m basis –SGS. According to an Indonesian ministry, Indonesia keeps its export tax for crude palm oil unchanged at 10.5% for March.
- As per MPOB's report, Malaysian palm oil stocks for January eased to 1.93 million tons, down 2.6 percent from the last month. While, palm oil output estimate in Jan pegged at 1.51 million tons and export estimates pegged at 1.36 million tons.
- According to a Malaysian government circular, Malaysia has kept its crude palm oil export tax for February unchanged from the previous month at 5%.
- Lower than expected Malaysian palm oil inventories for January and South East Asian countries are in lower palm oil yield phase may support the bulls in the days ahead. While, higher global soybean crop estimates and adequate supplies may limit excessive gains in the palm oil prices.

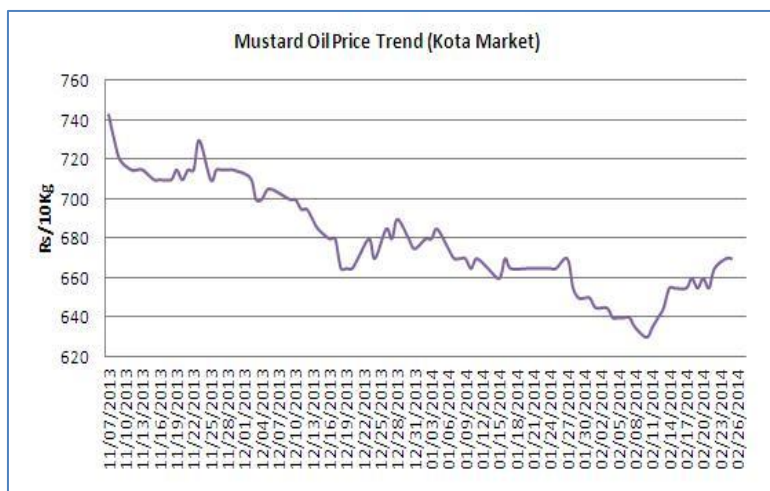
Price Outlook:

We expect CPO Kandla 5% (with VAT) to stay in the range of 570-592 per 10 Kg in the near term.

Rapeseed oil Fundamental Review and Analysis:-

Domestic Front

- Mustard oil featured steady to firm tone during the week at the Kota market in line with the competing soy oil prices and unseasonal rains during harvesting.
- Unseasonal rains and hailstorm over key mustard growing areas raises the concern of crop loss and good demand for RM seed from oil millers likely to support the mustard oil prices in the coming days. However, with an advent of summer season domestic demand is likely to ease which may cap excessive gains in the medium term.
- Sown area for Rabi groundnut seed stood at 71.67 lakh hectares as on 31 Jan. 2014, up 4 lakh hectares compared to the corresponding period last year - Ministry of Agriculture.
- On the supply side, as per the second advance estimates of production released by Ministry of agriculture, mustard seed output is estimated at 8.25 million tons, up .22 million tons from 2012/13 estimates. As per Agriwatch estimates, mustard seed production seen at 75.6 lakh tons, up 3.6 lakh tons from the previous oil year and mustard oil output seen at 27.97 lakh tons in 2013-14 Oil year (Nov-Oct). Meanwhile, the government target mustard seed production forecast for 2013/14 sets at 7.49 million tons. As per Oil world, world production of rapeseed was pegged at 69.3 million tons, up 8.4 per cent from a year earlier.
- We expect RM seed oil prices may trade range bound in the days ahead.

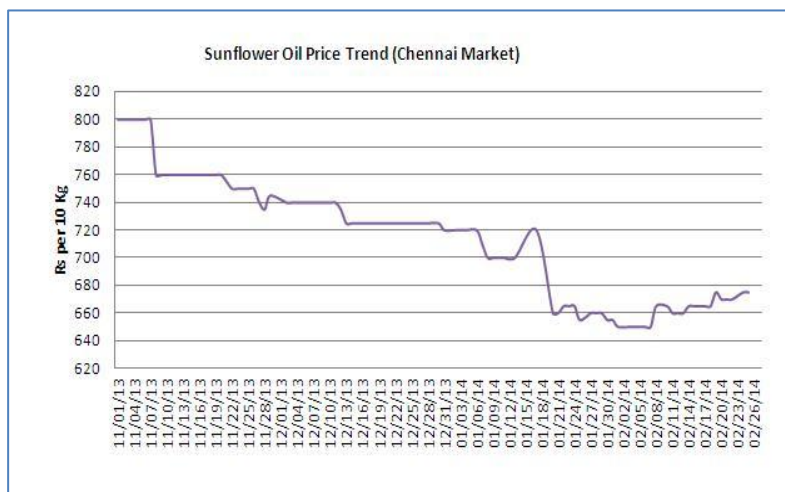


Price Outlook: Rapeseed oil (without VAT) prices in Kota may stay in the range of Rs 660-685 per 10 Kg.

Sunflower oil Fundamental Review and Analysis:-

Domestic Front

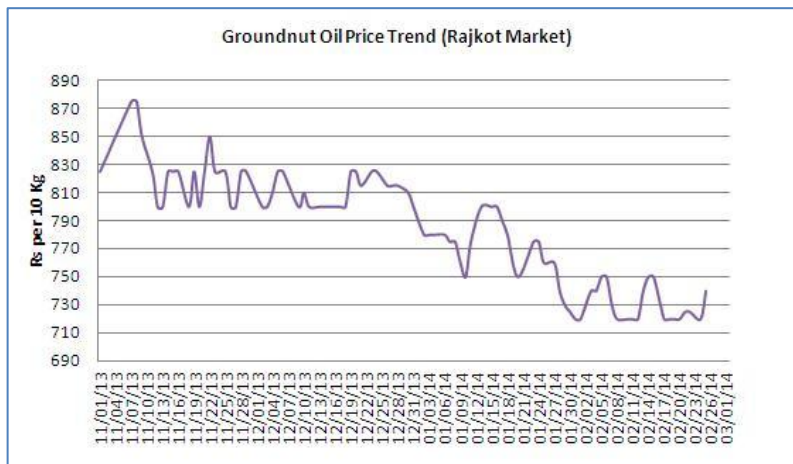
- Sunflower oil featured steady to slightly firm tone at its benchmark market Chennai during the week tracking gains in the domestic edible oil basket and recovery in the international sun oil market. However, higher imports during last three months curb the bulls.
- SEA of India reports that crude sunflower oil imports by India during Nov-Jan of 2013-14-oil year (Nov-Oct) were 3.62 lakh tons. However, imports were higher on y-o-y basis by 1.16 lakh tons. Geopolitical concern in Ukraine, supportive Malaysian palm oil market and renewed demand from wholesalers likely to underpin the domestic sunflower oil prices in the near term.
- As per Ministry of Agriculture, sown area for Rabi sunflower seed stood at 4.29 lakh hectares as on 20 Feb. 2014, down 0.83 lakh hectares compared to the corresponding period last year. We expect sunflower oil prices may trade with steady to slightly firm tone in the near term.



Price Outlook: Sunflower oil (with VAT) prices in Chennai may stay in the range of Rs 655-695 per 10 Kg.

Groundnut oil Fundamental Review and Analysis:- Domestic Front

- Groundnut oil prices trade sideways to slightly firm tone at its benchmark market (Rajkot) during the week tracking need-based demand from wholesalers and renewed demand from retail. However, higher groundnut seed production in the current season and adequate raw material supplies for crushing limit the excessive gains.
- As per Agriwatch, groundnut oil production for 2013-14 marketing year is projected at six lakh tons which is higher than last year production estimate of 3.28 lakh tons.
- Sown area for Rabi groundnut seed stood at 8.31 lakh hectares as on 20 Feb. 2014, down 0.82 lakh hectares compared to the corresponding period last year - Ministry of Agriculture.
- Groundnut oil prices are likely to stay range bound in the coming days owing to higher crushing, lower export demand for groundnut seed. However, lower prices may support retail demand, which may cap the excessive losses.
- We expect groundnut oil prices may trade sideways in the days ahead.

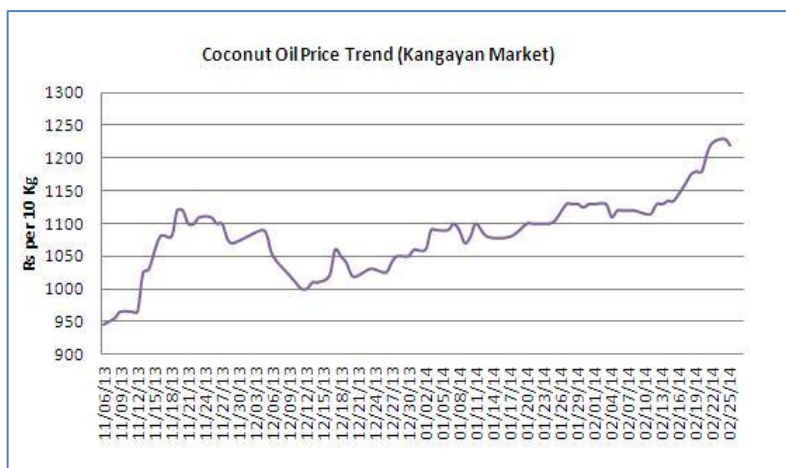


Price Outlook

Groundnut oil (without VAT) in Rajkot market is likely to trade in the price band of Rs 720-750 per 10 Kg.

Coconut Oil Fundamental Review and Analysis:- Domestic Front

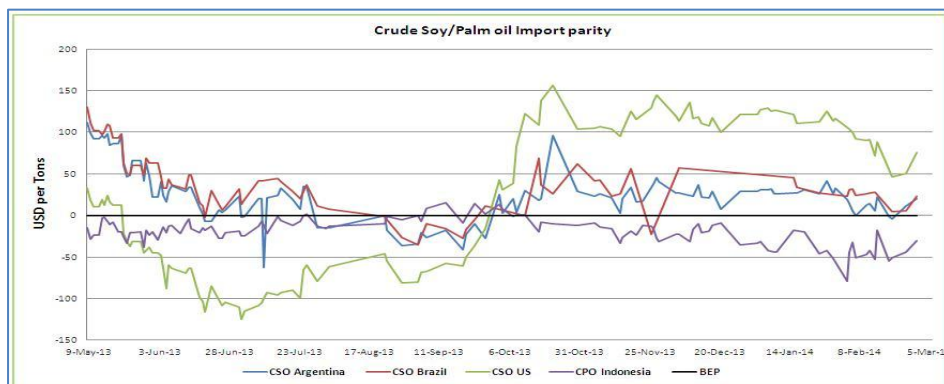
- Coconut oil featured steady to firm tone at its benchmark market Kanganayan during the week due to gains in the international oil & fats market and lean season for copra in Southern India. However, limited buying interest at higher quotes limit the upside risk in the prices.
- Lower arrivals of copra, lean season, and coconut crop damage in Philippines support the market sentiments. However, coconut oil prices may fall due to commencement of copra production season in Kerala and copra arrivals likely to pick up in the coming weeks.
- We expect coconut oil prices may trade range bound in the coming week.



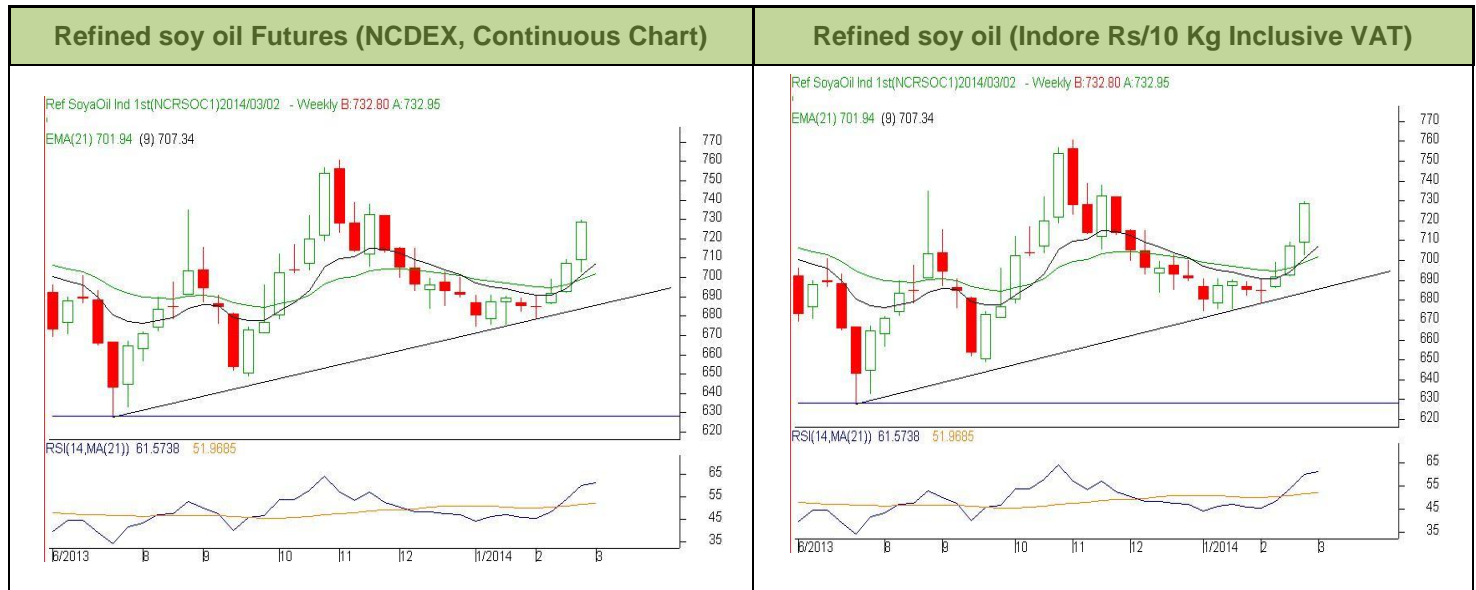
Price Outlook: Coconut oil (without VAT) prices in Erode may stay in the range of Rs 1180-1215 per 10 Kg.

Landed Cost at the Indian Ports - Crude soy oil and Crude palm oil

Landed Cost Calculation as on 01/03/2014	CSO Argentina	CSO Brazil	CSO US	CPO Indonesia
FOB USD per ton	907	914	867	900
Freight (USD/MT)	80	70	65	35
C & F	987.0	984.0	932.0	935.0
Weight loss (0.25% of FOB)	2.27	2.29	2.17	2.25
Finance charges (0.4% on CNF)	3.95	3.94	3.73	3.74
Insurance (0.3% of C&F)	3	3	3	3
CIF (Indian Port - Kandla)	996	993	941	944
CVD	0	0	0	0
Duty USD per ton	23.58	23.58	23.58	25.08
CVD value USD per ton	0	0	0	0
Cess (2% on duty) USD per ton	0.471624	0.471624	0.471624	0.501552
Exchange rate	61.82	61.82	61.82	61.82
Landed cost without customs duty in INR per ton	61584	61398	58154	58345
Customs duty %	2.58%	2.58%	2.58%	2.58%
Base import price	914	914	914	972
Fixed exchange rate by customs department	62.95	62.95	62.95	62.95
Duty component in INR per ton	1484.44	1484.44	1484.44	1578.63
Clearing charges INR per ton	483	483	483	483
Brokerage INR per ton	190	190	190	190
Total landed cost INR per ton	63741	63555	60311	60597
Domestic Market price INR/ton Soy Degum Kandla/CPO Kandla 5%	65000	65000	65000	58500
Total landed cost USD per ton	1031	1028	976	980
Domestic Market price USD/tons Soy Degum Kandla/ CPO Kandla 5%	1051	1051	1051	946
Parity INR/MT (Domestic - Landed)	1259	1445	4689	-2097
Parity USD/MT (Domestic - Landed)	20.36	23.37	75.85	-33.92
Source: Agriwatch				
Refining/ Processing Cost per MT	2600.00	2600.00	2600.00	3200.00
Freight to Inland location (Indore)	2500.00	2500.00	2500.00	2500.00
Cost of Imported oil after refining/Processing	68841.07	68655.39	65410.99	63797.04
Soy/Palm oil imported Price (Including tax)	72283.12	72088.16	68681.53	66986.89
Source: Agriwatch				


Outlook:-

Import parity for crude soy oil from Argentina is hovering in negative territory due to lower domestic prices as compared to the international prices. We expect import parity to be in the positive side in the coming days.

Technical Analysis (Refined soy oil Weekly Charts)


Outlook – Prices are likely to trade with a steady to firm note in the days ahead. Investors are advised to buy refined soy oil (Mar. contract).

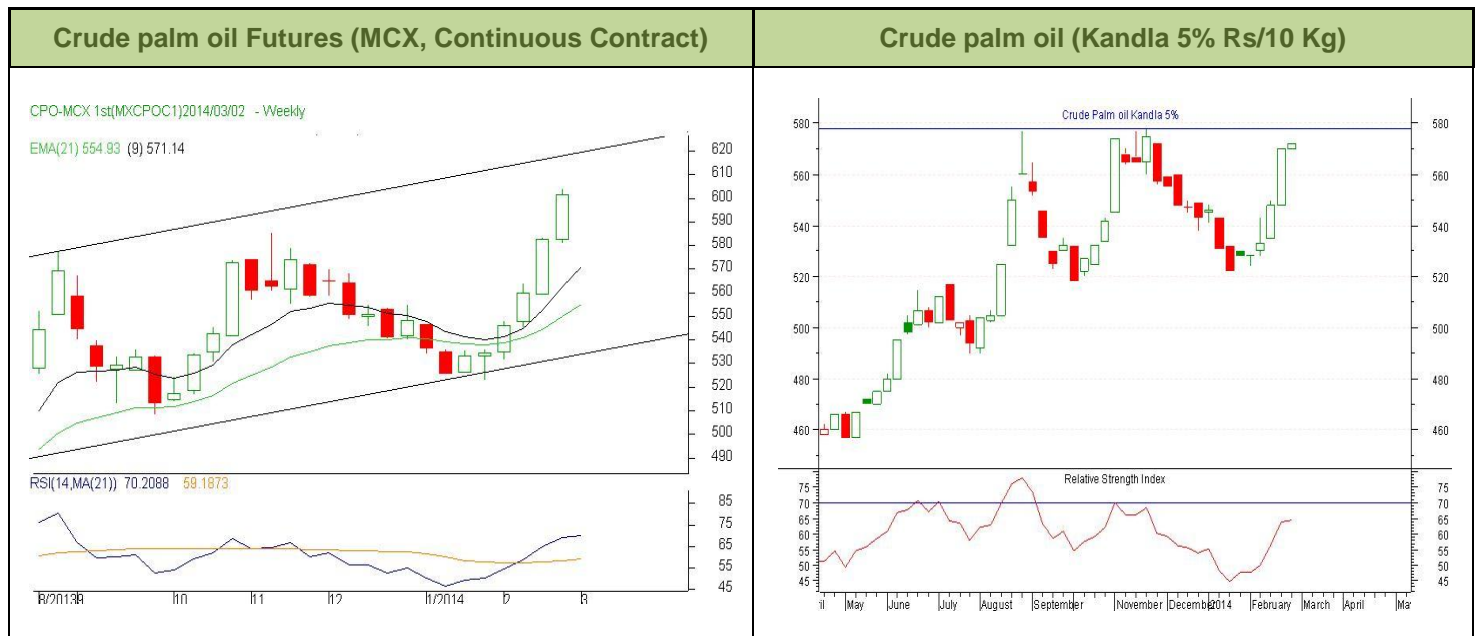
- ❖ Weekly chart of refined soy oil at NCDEX depicts firmness. We expect prices may trade with a steady to firm note in the near term.
- ❖ Any close below 700.20 in weekly chart shall change the sentiments and might take the prices to a bearish phase.
- ❖ Expected price band for next week is 705-715 level in near to medium term. RSI is near to neutral zone and shows evidence of divergence with the ref. soy oil prices.

Strategy: Market participants are advised to go long in RSO above 727 levels for a target of 737 and 740 with a stop loss at 721 on closing basis.

RSO NCDEX

Support and Resistance				
S2	S1	PCP	R1	R2
715.00	718.00	728.40	740.00	745.00

Spot Market outlook: Refined soy oil Indore is likely to stay in the range of 718-740 per 10 Kg.

Technical Analysis (Crude Palm oil Weekly Charts)


Outlook - Prices may trade with a steady to firm tone in the coming days. Investors are advised to buy MCX CPO - Mar. contract.

- ❖ Candlestick weekly chart of crude palm oil at MCX depicts gains in the prices. We expect prices may trade with a steady to firm note in the near term.
- ❖ Any close below 595.70 in weekly chart shall change the sentiments and might bring the prices to a bearish phase.
- ❖ Expected price band for next week is 602-614 level. RSI is moving towards neutral zone suggesting likely range bound to slightly firm movement in the coming week.

Strategy: Market participants are advised to go long in CPO above 602 for a target of 612.50 and 614.00 with a stop loss at 595.70 on closing basis.

CPO MCX

Support and Resistance				
S2	S1	PCP	R1	R2
582.00	588.00	601.60	618.00	622.50

Spot Market outlook: Crude palm oil is likely to stay in the range of 570-592 per 10 Kg.

Veg. Oil Prices at Key Spot Markets

Commodity	Centre	Prices(Per 10 Kg)		Change
		28-Feb-14	21-Feb-14	
Refined Soybean Oil	Kota(Loose)	685	675	10
	Rajkot (Loose)	670	660	10
	Jaipur (Loose)	NA	NA	-
	Hyderabad+ VAT	NA	NA	-
	Delhi (Loose)	725	715	10
	Kakinada	NA	NA	-
	Mumbai +VAT	680	672	8
	Indore	680	668	12
	Soy Degum Mumbai+VAT	645	638	7
	SoyDegum Kandla/Mundra+VAT	645	638	7
	Haldiya Port (Loose)	NA	NA	-
	Akola (Loose)	706	682	24
	Amrawati (Loose)	706	681	25
	Jalna	716	685	31
	Nagpur	716	695	21
Palm Oil	Chennai.RBD.Palmolein.(Loose)	640	625	15
	Hyd. RBD Palmolein VAT	615	590	25
	Delhi RBD Palmolein (Loose)	670	660	10
	Kandla CPO (5%FFA)	578	565	13
	Kakinada.RBD.Palmolein(Loose)	626	605	21
	Mumbai RBD Pamolein+ VAT	630	620	10
	Kandla RBD Palmolein +VAT	625	608	17
Refined Sunflower Oil	Mumbai + VAT	705	690	15
	Kandla/Mundra	640	630	10
	Erode (Exp. Oil)+VAT	715	700	15
	Hyderabad Exp +VAT	701	676	25
	Chennai (Loose)	685	670	15
	Bellary (Exp. Oil)+VAT	641	619	22
	Latur (Exp. Oil)+VAT	661	631	30
	Chellakere (Exp. Oil)+VAT	650	640	10
Groundnut Oil	Rajkot (Loose)	740	725	15
	Chennai (Loose)	760	725	35
	Delhi (Loose)	730	725	5
	Hyderabad Exp +VAT	836	810	26
	Mumbai + VAT	760	750	10
	Gondal+VAT	740	725	15
	Jamnagar +VAT	730	725	5
	Narsarropeth+VAT	800	760	40
	Prodattour+VAT	741	721	20

Rapeseed Oil	Mumbai (Exp. Oil) +VAT	690	687	3
	Alwar (Expeller Oil)(Loose)	686	671	15
	Kota (Expeller Oil) (Loose)	670	655	15
	Jaipur (Expeller Oil) (Loose)	702	671	31
	Delhi (Exp. Oil) (Loose)	710	710	Unch
	SriGangaNagar(ExpOil-Loose)	680	670	10
	Hapur+VAT	730	720	10
	Kolkata	NA	NA	-
	Agra (Kacchi Ghani Oil) +VAT	755	740	15
Refined Cottonseed Oil	Mumbai +VAT	642	640	2
	Rajkot (Loose)	655	620	35
	Delhi (Loose)	645	635	10
	Hyderabad (Loose)	600	580	20
Coconut Oil	Kangayan (Crude)	1210	1210	Unch
	Cochin	1140	1140	Unch
	Trissur	1195	1185	10
Sesame Oil	Delhi	1020	1020	Unch
	Mumbai	1100	1120	-20
Kardi	Mumbai	950	950	Unch
Rice Bran Oil (40%)	Delhi	495	495	Unch
Rice Bran Oil (4%)	Punjab	500	500	Unch
Malaysia Palmolein USD/MT	FOB (January Shipment)	890	860	30
	CNF (January Shipment) India	915	890	25
Indonesia CPO USD/MT	FOB (February-March Shipment)	900	885	15
	CNF (January Shipment) India	930	905	25
Argentina FOB (\$/MT)		27-Feb-14	20-Feb-14	Change
Crude Soybean Oil Ship		891	865	26
Refined Soy Oil (Bulk) Ship		922	895	27
Sunflower Oil Ship		NA	NA	-
Cottonseed Oil Ship		871	845	26
Refined Linseed Oil (Bulk) Ship		NA	885	-

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